

AMENDMENT IN THE NATURE OF A SUBSTITUTE
TO H.R. 4438
OFFERED BY MR. CAMP OF MICHIGAN

Strike all after the enacting clause and insert the following:

1 SECTION 1. SHORT TITLE.

2 This Act may be cited as the “American Research
3 and Competitiveness Act of 2014”.

**4 SEC. 2. RESEARCH CREDIT SIMPLIFIED AND MADE PERMA-
5 NENT.**

6 (a) IN GENERAL.—Subsection (a) of section 41 of the
7 Internal Revenue Code of 1986 is amended to read as fol-
8 lows:

9 “(a) IN GENERAL.—For purposes of section 38, the
10 research credit determined under this section for the tax-
11 able year shall be an amount equal to the sum of—

12 “(1) 20 percent of so much of the qualified re-
13 search expenses for the taxable year as exceeds 50
14 percent of the average qualified research expenses
15 for the 3 taxable years preceding the taxable year
16 for which the credit is being determined,

17 “(2) 20 percent of so much of the basic re-
18 search payments for the taxable year as exceeds 50

1 percent of the average basic research payments for
2 the 3 taxable years preceding the taxable year for
3 which the credit is being determined, plus

4 “(3) 20 percent of the amounts paid or in-
5 curred by the taxpayer in carrying on any trade or
6 business of the taxpayer during the taxable year (in-
7 cluding as contributions) to an energy research con-
8 sortium for energy research.”.

9 (b) REPEAL OF TERMINATION.—Section 41 of such
10 Code is amended by striking subsection (h).

11 (c) CONFORMING AMENDMENTS.—

12 (1) Subsection (c) of section 41 of such Code
13 is amended to read as follows:

14 “(c) DETERMINATION OF AVERAGE RESEARCH EX-
15 PENSES FOR PRIOR YEARS.—

16 “(1) SPECIAL RULE IN CASE OF NO QUALIFIED
17 RESEARCH EXPENDITURES IN ANY OF 3 PRECEDING
18 TAXABLE YEARS.—In any case in which the taxpayer
19 has no qualified research expenses in any one of the
20 3 taxable years preceding the taxable year for which
21 the credit is being determined, the amount deter-
22 mined under subsection (a)(1) for such taxable year
23 shall be equal to 10 percent of the qualified research
24 expenses for the taxable year.

1 “(2) CONSISTENT TREATMENT OF EX-
2 PENSES.—

3 “(A) IN GENERAL.—Notwithstanding
4 whether the period for filing a claim for credit
5 or refund has expired for any taxable year
6 taken into account in determining the average
7 qualified research expenses, or average basic re-
8 search payments, taken into account under sub-
9 section (a), the qualified research expenses and
10 basic research payments taken into account in
11 determining such averages shall be determined
12 on a basis consistent with the determination of
13 qualified research expenses and basic research
14 payments, respectively, for the credit year.

15 “(B) PREVENTION OF DISTORTIONS.—The
16 Secretary may prescribe regulations to prevent
17 distortions in calculating a taxpayer’s qualified
18 research expenses or basic research payments
19 caused by a change in accounting methods used
20 by such taxpayer between the current year and
21 a year taken into account in determining the
22 average qualified research expenses or average
23 basic research payments taken into account
24 under subsection (a).”.

25 (2) Section 41(e) of such Code is amended—

1 (A) by striking all that precedes paragraph
2 (6) and inserting the following:

3 “(e) BASIC RESEARCH PAYMENTS.—For purposes of
4 this section—

5 “(1) IN GENERAL.—The term ‘basic research
6 payment’ means, with respect to any taxable year,
7 any amount paid in cash during such taxable year
8 by a corporation to any qualified organization for
9 basic research but only if—

10 “(A) such payment is pursuant to a writ-
11 ten agreement between such corporation and
12 such qualified organization, and

13 “(B) such basic research is to be per-
14 formed by such qualified organization.

15 “(2) EXCEPTION TO REQUIREMENT THAT RE-
16 SEARCH BE PERFORMED BY THE ORGANIZATION.—
17 In the case of a qualified organization described in
18 subparagraph (C) or (D) of paragraph (3), subpara-
19 graph (B) of paragraph (1) shall not apply.”,

20 (B) by redesignating paragraphs (6) and
21 (7) as paragraphs (3) and (4), respectively, and

22 (C) in paragraph (4) as so redesignated,
23 by striking subparagraphs (B) and (C) and by
24 redesignating subparagraphs (D) and (E) as
25 subparagraphs (B) and (C), respectively.

1 (3) Section 41(f)(3) of such Code is amended—

2 (A)(i) by striking “, and the gross re-
3 cepts” in subparagraph (A)(i) and all that fol-
4 lows through “determined under clause (iii)”,

5 (ii) by striking clause (iii) of subparagraph
6 (A) and redesignating clauses (iv), (v), and (vi),
7 thereof, as clauses (iii), (iv), and (v), respec-
8 tively,

9 (iii) by striking “and (iv)” each place it
10 appears in subparagraph (A)(iv) (as so redesign-
11 ated) and inserting “and (iii)”,

12 (iv) by striking subclause (IV) of subpara-
13 graph (A)(iv) (as so redesignated), by striking
14 “, and” at the end of subparagraph (A)(iv)(III)
15 (as so redesignated) and inserting a period, and
16 by adding “and” at the end of subparagraph
17 (A)(v)(II) (as so redesignated),

18 (v) by striking “(A)(vi)” in subparagraph
19 (B) and inserting “(A)(v)”, and

20 (vi) by striking “(A)(iv)(II)” in subpara-
21 graph (B)(I)(II) and inserting “(A)(iii)(II)”,

22 (B) by striking “, and the gross receipts of
23 the predecessor,” in subparagraph (A)(iv)(II)
24 (as so redesignated),

1 (C) by striking “, and the gross receipts
2 of,” in subparagraph (B),

3 (D) by striking “, or gross receipts of,” in
4 subparagraph (B)(I)(I), and

5 (E) by striking subparagraph (C).

6 (d) EFFECTIVE DATE.—

7 (1) IN GENERAL.—Except as provided in para-
8 graph (2), the amendments made by this section
9 shall apply to taxable years beginning after Decem-
10 ber 31, 2013.

11 (2) SUBSECTION (b).—The amendment made
12 by subsection (b) shall apply to amounts paid or in-
13 curred after December 31, 2013.

